

# Perennial Value Income Wealth Defender



Quarterly Investment Option Update

31 December 2018

## Aim and Strategy

The option is designed to provide investors with an attractive level of tax effective income, whilst also protecting the portfolio by reducing the magnitude of significant negative returns when equity markets fall. The option aims to outperform the S&P/ASX300 Accumulation Index, before fees, over a rolling 3 year period whilst delivering an attractive tax-effective income stream. The strategy invests in a diversified portfolio of higher yielding Australian shares which delivers a dividend yield, including franking credits, above the dividend yield of the Index. The strategy uses protection strategies to dynamically protect the portfolio through market cycles, aimed at reducing the magnitude of significant negative returns in falling equity markets. The option enhances long term performance by maximising returns when markets rally and minimising the extent of losses when markets fall. The strategy invests in ASX-listed Australian shares and equity derivatives products. The option is suitable for investors with a long term horizon, seeking tax effective income generated by exposure to a portfolio of Australian shares that also provides some protection against significant negative returns.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://amp.com.au)

## Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Value

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	87.7
Cash	0.00	12.3

Sector Allocation	%
Energy	4.7
Materials	12.7
Industrials	3.5
Consumer Discretionary	10.8
Consumer Staples	10.0
Health Care	0.0
Financials-x-Real Estate	41.0
Real Estate	0.0
Information Technology	0.0
Telecommunication Services	3.2
Utilities	1.8
Cash & Other	12.3

Top Holdings	%
Westpac Banking Corporation	8.5
ANZ Banking Group Limited	7.6
National Australia Bank	7.2
BHP Billiton Limited	6.1
Commonwealth Bank	5.1
Woodside Petroleum	3.9
TABCORP Holdings Limited	3.6
Woolworths Limited	3.5
Rio Tinto Limited	3.4
Macquarie Group Limited	3.2

## Portfolio Summary

During the quarter, the portfolio participated in the BHP off-market buy-back, which generated a significant fully-franked dividend and a strong after-tax return

## Investment Option Commentary

The main contributors to performance were AGL Energy (5.64%) and GrainCorp Ltd (+17.3%) which received a conditional takeover proposal at a 43.0% premium to the current share price. The main detractors were financials Perpetual Limited (-23.7%) and Janus Henderson (-21.9%), which fell on weaker global markets.

During the quarter, the portfolio reduced its holdings in AGL Energy, BHP and Macquarie Group. Proceeds were used to increase our holdings in a number of stocks including our holding in ANZ, which is offering an attractive valuation and a gross dividend yield of 8.9%. We also initiated positions in Amcor and Seven Group Holdings.

## Market Commentary

The share market fell in the December quarter, with the S&P/ASX300 Accumulation Index down -8.4%, bringing the total return over the last 12 months to a modest decline of -3.1%. The sell-off mirrored that seen in offshore markets, where the heightened level of political uncertainty around issues such as US-China trade and Brexit, as well as rising interest rates, are weighing on the growth outlook and impacting sentiment.

During the quarter, the portfolio participated in the BHP off-market buy-back, which generated a significant fully-franked dividend and a strong after-tax return.

Overall valuations are reasonable, with the recent pull-back seeing the market trading in line with its long-term average valuation. Market forecasts are for continued, moderate earnings growth over the coming year. In addition, corporate Australia has been paying down debt and balance sheets are in very good shape. This provides the flexibility to invest and grow, pay healthy dividends and weather any headwinds that may arise.

While the market continues to prove challenging for value investors, we are finding many opportunities to invest in quality companies at attractive prices. As noted previously, there is a wide valuation dispersion in the market, with many “growth” and “momentum” stocks remaining expensive, while many “value” stocks are trading at very cheap levels. History shows that at some point these large valuation dispersions normalise and, when they do, there is the potential for a value style portfolio to deliver significant outperformance.

## Outlook

The portfolio continues to offer a higher forecast gross yield than the overall market and, as always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls. Further, we believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1529AU
AMP Flexible Super - Retirement account	AMP1589AU
AMP Flexible Super - Super account	AMP1577AU
CustomSuper	AMP1529AU
Flexible Lifetime - Allocated Pension	AMP1541AU
SignatureSuper	AMP1553AU
SignatureSuper Allocated Pension	AMP1565AU

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)

Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)

Phone: 131 267 (Mon. to Fri. 8:30am to 7:00pm AEST)



### What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.